

**Comments by U.S. Trade Representative Robert B. Zoellick after meeting with  
Finance Minister Antonio Palocci  
Brasília, Brazil  
May 27, 2003**

Good afternoon.

As you know, I've just arrived in Brasília. I'm delighted this is my third visit here in my tenure as Trade Representative. I began my meeting with the Minister by complimenting him on the performance of the three racecar drivers of Brazil at the Indianapolis 500. I said it's a sure sign that Brazil can compete anywhere around the world. I also said how respectful I was of President Lula da Silva's and the Minister's actions on the financial and economic front. We know there is important work still to be done, but clearly there has been a very positive response to the actions taken.

As all of you probably know, the primary reason that I came to Brasília this time was to talk to Brazil as the co-chair of the ALCA process, and this is just the first of a number of meetings that I'll have over the next two days, but we spoke about the mutual interest we have in that process. In mid-June, the United States is hosting a mini-ministerial of about 13 ALCA trade ministers, and so I wanted to talk to my Brazilian colleagues in advance of that session.

This is obviously an important time in both the international... the global economy, as well as the hemispheric economy. The 34 economies of this hemisphere vary greatly in size and level of development, and so I was bringing some ideas of how we can work together to advance the ALCA process.

We also talked a little bit about the WTO Doha negotiations because the United States and Brazil very much share an interest in trying to get serious agricultural liberalization. But what all these discussions represent together is that for the United States, Brazil is an exceptional partner in the hemisphere. I'm pleased that we are deepening the engagement and discussion between the two countries. And obviously the most important part will be that our two presidents will be meeting in Washington later in June.

I have another meeting but I could try to take a couple of questions quickly and Minister Amorim and I are going to have a press conference later tomorrow, so you'll have another shot tomorrow.

What do you want? Three? Three questions? You're a tough negotiator. I agree.

**Question** (Denise Chrispim Marim - *O Estado de São Paulo*): Ambassador Zoellick, the Brazilian government has made it clear that it wants to explore the path of the 4+1 agreement with the United States, independently of the continuation of the FTAA process. I would like to know if the United States would accept initiating these negotiations with Mercosul as quickly as possible?

**Ambassador Zoellick:** The 4+1 process actually dates back to 1992, when I served with President Bush's father, and we value that dialogue because we know the importance of Mercosul. At the same time, the primary focus of my trip is to try to see how Brazil and the United States, as co-chairs of the ALCA, can move ahead the ALCA process.

And this fits with what President Lula da Silva has been saying, because obviously he is playing a leadership role all throughout South America, not just in Mercosul. So we will continue to talk with our Mercosul colleagues. President Batlle of Uruguay visited Washington recently. We are trying to put our focus on the success of the ALCA, which we are all committed to try to achieve by 2005.

**Question** (Eliane Oliveira - *O Globo*): The Brazilian Minister of Foreign Relations has said several times that the negotiations are complicated and that he considers the deadline – by late 2004/early 2005 – to be too little time. Do you admit to the possibility or have you considered that this might take a little longer, considering that this is a political deadline?

**Ambassador Zoellick:** Trade negotiations are always difficult and it's not unusual that deadlines get missed, but all the countries of the hemisphere, all the democratic countries, agreed in Quebec City to try to get this negotiation done by January 1, 2005, and then have it pass through their constitutional system during the course of 2005. And as I mentioned in my opening remarks, given the fragility of the international economy, and given some of the uncertainties in the economies of Latin America, it would be a good thing if we can move this forward. And so that's why I'm here in Brasília. Brazil and the United States are co-chairs. We are the two biggest countries. So I'm trying to bring some pragmatic ideas about how we can advance the process for the whole hemisphere.

As I said, we've got some key months ahead. I hope we can discuss some of these ideas with our fellow ministers at the meeting I mentioned at Wye Conference Center in Maryland in mid-June. We have a Ministerial in Miami in November. So this is the time to roll up our sleeves to work.

**Question** (Monica Carvalho - *TV Globo*) – The Brazilian government is not at all satisfied with the current FTAA negotiation to this point. Does the United States have any new proposal, and if so would this proposal include the reduction of agricultural subsidies by the U.S.?

**Ambassador Zoellick:** I've of course brought a number of ideas. It's probably useful for me to discuss them with some of the ministers before I discuss them with you. And as we said when we went through the initial offer phase, all our tariffs are on the table, agriculture and non-agriculture. And indeed, part of our initial offer was to eliminate all tariffs on textiles and apparel within five years, which would be a big advance for major apparel producers like Brazil and others in the hemisphere.

But let me give you a further explanation of why this is important, and this is an item I discussed with the Minister. China is going to be an increasingly challenging competitor, particularly for many middle-income developing economies like Mexico and Brazil. And all our quotas on apparel and textiles come off at the end of the year 2004. So if we can eliminate the rest of our tariffs on textile and apparel within five years for our western hemispheric neighbors, that will give them an edge over China.

So your question raises a very important point. While this is a hemispheric negotiation, we have to keep our eye on the globe. And how do we strengthen the Western Hemisphere – South America, Central America, North America – in a global economy?

And finally that brings me to the agricultural subsidies, because I didn't want you to think I was ducking it. The United States has made a very bold proposal about a substantial reduction of domestic subsidies for agriculture and the elimination of export subsidies for agriculture in the WTO. And Brazil shares very much the same direction. Those negotiations are at a key point as people go to the G8 meeting in France. And President Lula da Silva is invited, just as President Bush is. European agricultural subsidies are about three times higher, permitted three times higher, than the U.S. level. So we put on the table a significant cut, if we can get the Europeans and Japanese to cut too. So one of the things I'm doing on this visit is asking Brazil's help with our European friends.

I apologize, I'm late for a meeting so I have to go, but I'll make one last observation. At tomorrow's press conference, I will try to make sure that we call on a man, because I don't want this to be unfair. [Laughter].

Thank you.

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